

Joseph Mulieri
Vice President
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July 13, 2005

Ex Parte

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Verizon Petition for Forbearance Under 47 U.S.C. Section 160(c) from Pricing Flexibility Rules For Fast Packet Services; Petition for Waiver of Pricing Flexibility Rules For Fast Packet Services, WC Docket No. 04-246

Dear Ms. Dortch:

The attached document was provided via e-mail on July 12, 2005 to Tom Navin, Tamara Preiss, Ian Dillner, Lisa Gelb, Margaret Dailey, Richard Kwiatkowski, and Marvin Sacks of the Wireline Competition Bureau. The attachment is a copy of a January 21, 2004 Schwab Soundview Capital Market Report that Verizon cited in its June 27, 2005 ex parte in this proceeding. Please enter this material into the record as appropriate.

Please do not hesitate to contact me with any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph Mulieri".

Attachment

cc: Tom Navin
Tamara Preiss
Ian Dillner
Lisa Gelb
Margaret Dailey
Richard Kwiatkowski
Marvin Sacks

Equity Research

Sector: Communications Equipment

Estimates Change
Company Update

AT&T Corp. (Underperform)

**T: Lowering Estimates, Reiterate Underperform
and \$16 Price Target**

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Ticker: T
Price (01/20/2004): \$21.65
52-Wk. Range: \$26.30-\$13.45
Market Cap (B): \$17.1
Shares Out. (M): 776.0
Rating: Underperform
Price Target: \$16.00



Industry Opinion: We favor the RBOCs vs. the interexchange carriers (IXCs), and believe the RBOCs will exit 2003 with a broader array of consumer and business services. IXCs will capture market share in local exchange service, but RBOCs will capture market share in the larger enterprise segment.

Company Description: The remaining AT&T is a business and consumer long distance voice and data company, having sold its broadband business, closed Concert and spun out AT&T Wireless. The company continues to extricate itself from high debt levels.

Stock Net:

We believe shares of AT&T are overvalued at current levels and have at least \$3-\$4 of value layered in relative to takeover speculation. Recent checks with enterprise customers lead us to lower our business revenue estimates, and we maintain our Underperform rating and \$16 price target.

Fiscal Year Dec	Fiscal Year			Calendar Year			Last Qtr.	Curr. Qtr.	Next Qtr.
	F03E	F04E	F05E	C03E	C04E	C05E	3Q03A	4Q03E	1Q04E
Revenue (Current \$)	34.7B	32.8B	31.8B	34.7B	32.8B	31.8B	8.6B	8.3B	8.4B
Revenue (Previous \$)	34.8B	32.9B	32.6B	34.8B	32.9B	32.6B	8.6B	8.4B	8.4B
Revenue(Consensus \$)	34.8B	32.5B	—	—	—	—	8.6B	8.3B	8.3B
EPS (Current \$)	2.30	1.54	1.29	2.30	1.54	1.29	0.58	0.37	0.40
EPS (Previous \$)	2.33	1.43	1.06	2.33	1.43	1.06	0.58	0.40	0.39
EPS (Consensus \$)	2.34	1.62	—	—	—	—	0.58	0.41	0.40
P/S (Current \$)	0.5	0.5	0.5	0.5	0.5	0.5	—	—	—
P/E (Current \$)	9.4	14.1	16.8	9.4	14.1	16.8	—	—	—
P/E (Consensus \$)	9.3	13.4	NaN	—	—	—	—	—	—

- We are lowering revenue estimates due to increased pricing pressure in the enterprise segment. While we have also increased consumer revenue estimates, it composes just 28% of total revenue, which is insufficient to offset business declines.
- Our checks continue to indicate that MCI and the regional bells are encroaching on AT&T's enterprise long distance voice and data business, and we believe pressure will increase in 2004.
- We have lowered our 2003 EPS and revenue estimates to \$2.30 and \$34.7 billion, respectively. We have reduced 2004 total revenue to \$32.8 billion, though our EPS estimate of \$1.54 increases due to lower depreciation and amortization expense. Our financial estimates remain below consensus.
- We suggest investors lighten positions of AT&T shares, as we expect business revenue declines to outweigh improvement in the consumer segment. We maintain our Underperform and 12-month price target of \$16.

SoundView Technology Corporation
Member NASD/SIPC

PLEASE REFER TO END OF THIS REPORT FOR ANALYST CERTIFICATION AND OTHER IMPORTANT DISCLOSURES.

Important information about SoundView's conflicts can be found at www.soundview.com/Research/ConflictDisclosure

-Michael Bowen assumed coverage of AT&T Corporation on March 26, 2003

- Schwab Capital Markets L.P. ("SCMLP") makes a market in this company's securities. SCMLP, in its market making capacity, sells to or buys from customers the securities of this company on a principal basis.

Overview

We continue to observe our thesis of pricing pressure in the business voice and data market playing out as evidenced by recent industry checks with enterprise customers, as well as discussions with AT&T and the company's most recent indication that its business revenue outlook had weakened. Therefore, while our estimates were already toward the low end of the Street, we are reducing our estimates once again, and suggest to investors that shares of AT&T are overvalued. Pricing pressure, in our opinion, has increased during the past six weeks as the conclusion of MCI's bankruptcy proceedings draw near, and MCI has aggressively begun attempts to increase market share in the business long distance, data and wholesale markets. While there have been indications that enterprise spending may pick up, consistent with our +4.6% year-over-year capital expenditure forecast for wireline carriers, we have not received indications that AT&T has been the beneficiary to any great extent.

Currently, business revenues constitute approximately 73% of AT&T's total revenues. The business segment is comprised primarily of long distance (approximately 45%), data and wholesale voice and data services, all of which are experiencing downward pricing revisions in both new contracts and those contracts up for renewal. Although AT&T is gaining share in the more lucrative local business voice market, we do not anticipate this product line to offer revenue growth sufficient to offset broader business revenue declines. In addition, we expect that consumer margins will remain flat at best. Therefore, we suggest to investors that shares of AT&T are more than fully valued, and we would lighten positions at this time.

Revenue Opportunity Going Forward

ATM and frame relay services constitute the majority of telecom spending by businesses and nearly 85% of revenue opportunity within ATM and frame relay services is in long distance service offerings. While it is likely AT&T will continue to gain substantial leverage via its strong brand name, 271 long distance approvals by the regional bells are enabling the RBOCs to more aggressively compete in the long distance market. MCI's emergence from bankruptcy also enables the company to refocus on core businesses, and we anticipate MCI will price aggressively, attempting to regain market share. Additionally, small and medium-sized businesses may substitute traditional wireline offerings with IP solutions. We believe further deployment of IP networks in 2004 and 2005 will allow carriers to offer another, less expensive voice and data solutions alternative, adding pressure to the competitive environment for large enterprises.

Figure 1.

ATM Market Share	2004 SNDV Est
AT&T	22.8%
MCI	20.9%
FON	16.1%
SBC	8.0%
VZ	5.1%
BLS	1.8%
Q	3.0%
Others	<u>22.3%</u>
Total	100.0%

Frame Relay Market Share	2004 SNDV Est
AT&T	39.0%
MCI	33.0%
FON	6.5%
SBC	5.5%
VZ	4.9%
BLS	4.7%
Q	4.1%
Others	<u>2.3%</u>
Total	100.0%

Source: SoundView Technology Corporation and IDC estimates

Given AT&T's significant exposure to business revenue, our model is particularly sensitive to changes in pricing, and we expect the business segment to continue in decline through 2004.

Financial Model

We are lowering our total revenue estimates in 2003 and 2004 due to downward revisions in the company's business outlook as well as our checks with enterprise customers. However, we have lessened the rate of consumer revenue decline at least due in part to the company's increased focus on providing local exchange service. On the other hand, we have reduced business revenue due to aforementioned issues, and the combined result has led us to reduce our 2003 EPS estimate to \$2.30 from \$2.33. While our model is essentially representative of the same issues in 2004, we have increased our EPS in 2004 as a result of lower estimated depreciation and amortization expense. Therefore, the combined effect results in our 2004 EPS estimate increasing to \$1.54 from \$1.43, though we remain below the current consensus estimate of \$1.62.

We now estimate F03 business revenues of \$24.96 billion for a year-over-year decline of 6.0% vs. our old assumption of a 5.1% decline. We also reduced our 2004 business revenue estimate by \$689 million to \$23.9 billion. Our total operating margin assumptions for 2003 of 10.9% are in-line with management's guidance that margins may be above previous guidance of 10%.

We are raising consumer revenues as AT&T continues to enter local markets. However, despite our upward revisions to our revenue and EBITDA assumptions, the consumer segment only contributes 30% to total AT&T revenues and does not offset declines in the business segment. Nonetheless, we have assumed an increase in the company's EBITDA margins in the consumer segment to approximately 20.6% in 4Q03 from 20.1% as a result of this and the company's continued cost-cutting initiatives within the division. We expect consumer operating margins to improve in 1Q04 before flattening out, as we anticipate it will become more difficult to find incremental costs to eliminate.

The following table delineates our estimate changes:

Figure 2.

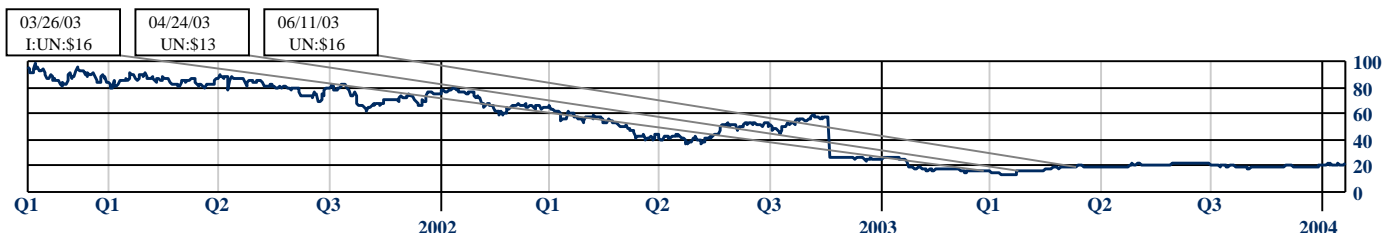
	4Q03E		2003E	
	New	Old	New	Old
Revenue (\$mm)	\$8,251	\$8,405	\$34,681	\$34,835
EBIT (\$mm)	\$750	\$808	\$3,774	\$3,832
EBIT Margin	9.1%	9.6%	10.9%	11.0%
EBITDA (\$mm)	\$1,983	\$2,056	\$8,748	\$8,821
EBITDA Margin	24.0%	24.5%	25.2%	25.3%
EPS	\$0.37	\$0.40	\$2.30	\$2.33
Capital Expenditures (\$mm)	\$821	\$821	\$3,234	\$3,657

	1Q04E		2Q04E		3Q04E		4Q04E		2004E		2005E	
	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old
Revenue (\$mm)	\$8,353	\$8,404	\$8,272	\$8,334	\$8,232	\$8,193	\$7,966	\$7,985	\$32,823	\$32,916	\$31,813	\$32,565
EBIT (\$mm)	\$716	\$704	\$731	\$647	\$648	\$581	\$582	\$598	\$2,677	\$2,530	\$2,426	\$2,126
EBIT Margin	8.6%	8.4%	8.8%	7.8%	7.9%	7.1%	7.3%	7.5%	8.2%	7.7%	7.6%	6.5%
EBITDA (\$mm)	\$1,935	\$1,939	\$1,939	\$1,899	\$1,884	\$1,872	\$1,827	\$1,920	\$7,586	\$7,631	\$7,430	\$7,477
EBITDA Margin	23.2%	23.1%	23.4%	22.8%	22.9%	22.8%	22.9%	24.1%	23.1%	23.2%	23.4%	23.0%
EPS	\$0.40	\$0.39	\$0.43	\$0.36	\$0.37	\$0.32	\$0.35	\$0.37	\$1.54	\$1.43	\$1.29	\$1.06
Capital Expenditures (\$mm)	\$702	\$702	\$833	\$833	\$1,261	\$1,261	\$873	\$873	\$3,670	\$3,670	\$3,887	\$3,887

Price Target Valuation and Risks

We maintain our Underperform rating on shares of AT&T and our 12-month price target of \$16. We continue to believe AT&T is more than fully valued and lacks sufficient catalysts to drive higher valuation. However, we do note that persistent takeover speculation has continued to layer in at least \$3-\$4 of value to shares of AT&T, in our opinion. Therefore, we believe AT&T shares should underperform their peers even if a takeover were imminent, as it appears to us that there would be little valuation upside, if any, relative to the shares in a buyout situation.

Rating and Price Target History for: T as of 01-20-2004



Disclosures:

-Michael Bowen assumed coverage of AT&T Corporation on March 26, 2003
 - Schwab Capital Markets L.P. ["SCMLP"] makes a market in this company's securities. SCMLP, in its market making capacity, sells to or buys from customers the securities of this company on a principal basis.

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Distribution of Ratings, Firmwide and by Sector

SoundView Technology Group					Telecommunications				
Rating	Count	Percent	IB Serv./Past 12 Mos.		Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent				Count	Percent
BUY [OP]	105	51.22	7	6.67	BUY [OP]	8	29.63	0	0.00
HOLD [N]	91	44.39	4	4.40	HOLD [N]	10	37.04	2	20.00
SELL [UN]	9	4.39	0	0.00	SELL [UN]	1	3.70	0	0.00

Analyst Certification

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Our rating system is based on a stock's forward 12-month expected total return (price appreciation plus dividend yield). It is expected that the total return of stocks rated Outperform will exceed those that are rated Neutral, which will exceed those that are rated Underperform.

- OUTPERFORM (OP): Projected to have a total return of 20% or more on initiation of the rating and a total return of at least 10% on the continuance of a rating.
- NEUTRAL (N): Projected to have a total return of +/-20%.
- UNDERPERFORM (UN): Projected to have a total return of -20% or less on initiation of the rating and a total return of at most -10% on the continuance of a rating.

Investors should consider this report as only a single factor in making their investment decision.

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	1Q02A	2Q02A	3Q02A	4Q02A	2002A	1Q03A	2Q03A	3Q03A	4Q03E	2003E	1Q04E	2Q04E	3Q04E	4Q04E	2004E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	2012E
AT&T																							
Revenue (\$mm)	9,548	9,580	9,409	9,290	37,827	8,986	8,795	8,649	8,251	34,681	8,353	8,272	8,232	7,966	32,823	31,813	31,713	32,112	32,841	33,868	34,960	36,121	37,319
Growth % (y/y)	(12.3%)	(9.6%)	(10.7%)	(8.6%)	(10.4%)	(5.9%)	(8.2%)	(8.1%)	(11.2%)	(8.3%)	(7.0%)	(5.9%)	(4.8%)	(3.5%)	(5.4%)	(3.1%)	(0.3%)	1.3%	2.3%	3.1%	3.2%	3.3%	3.3%
EBITDA (\$mm)	2,809	2,805	2,632	2,440	10,686	2,356	2,292	2,117	1,983	8,748	1,935	1,939	1,884	1,827	7,586	7,430	7,426	7,508	7,657	7,883	8,096	8,294	8,511
EBITDA Margin	29.4%	29.3%	28.0%	26.3%	28.2%	26.2%	26.1%	24.5%	24.0%	25.2%	23.2%	23.4%	22.9%	22.9%	23.1%	23.4%	23.4%	23.4%	23.3%	23.3%	23.2%	23.0%	22.8%
Operating Income (\$mm)	1,634	1,592	1,415	(280)	4,361	1,166	1,029	829	750	3,774	716	731	648	582	2,677	2,426	2,324	2,306	2,353	2,475	2,633	2,776	2,937
Operating Margin	17.1%	16.6%	15.0%	(3.0%)	11.5%	13.0%	11.7%	9.6%	9.1%	10.9%	8.6%	8.8%	7.9%	7.3%	8.2%	7.6%	7.3%	7.2%	7.2%	7.3%	7.5%	7.7%	7.9%
EPS	\$0.60	\$0.80	\$0.67	(\$0.79)	\$1.29	\$0.67	\$0.68	\$0.58	\$0.37	\$2.30	\$0.40	\$0.43	\$0.37	\$0.35	\$1.54	\$1.29	\$1.17	\$1.12	\$1.14	\$1.22	\$1.32	\$1.40	\$1.50
Capex (\$mm)	613	976	969	1,346	3,904	859	770	1,207	821	3,657	702	833	1,261	873	3,670	3,887	4,083	4,290	4,468	4,616	4,765	4,878	4,995
FCF (\$mm)	849	2,102	(1,240)	(4,740)	(3,029)	1,210	1,220	1,574	413	4,417	905	651	237	454	2,247	2,060	1,937	1,833	1,781	1,816	1,858	1,908	1,941
Sprint FON																							
Revenue (\$mm)	3,904	3,826	3,805	3,659	15,194	3,581	3,530	3,538	3,461	14,110	3,486	3,474	3,472	3,451	13,883	13,865	13,950	14,151	14,461	14,853	15,353	15,933	16,598
Growth % (y/y)	(10.4%)	(11.2%)	(10.3%)	(8.8%)	(10.2%)	(8.3%)	(7.7%)	(7.0%)	(5.4%)	(7.1%)	(2.7%)	(1.6%)	(1.9%)	(0.3%)	(1.6%)	(0.1%)	0.6%	1.4%	2.2%	2.7%	3.4%	3.8%	4.2%
EBITDA (\$mm)	1,041	1,127	1,171	1,178	4,517	1,082	1,092	1,113	1,112	4,399	1,061	1,076	1,098	1,131	4,366	4,472	4,580	4,687	4,884	5,160	5,532	5,982	6,513
EBITDA Margin	26.7%	29.5%	30.8%	32.2%	29.7%	30.2%	30.9%	31.5%	32.1%	31.2%	30.4%	31.0%	31.6%	32.8%	31.5%	32.3%	32.8%	33.1%	33.8%	34.7%	36.0%	37.5%	39.2%
Operating Income (\$mm)	397	463	375	380	1,615	454	109	(733)	473	303	439	436	449	480	1,804	1,898	1,989	2,079	2,258	2,517	2,871	3,302	3,816
Operating Margin	10.2%	12.1%	9.9%	10.4%	10.6%	12.7%	3.1%	(20.7%)	13.7%	2.1%	12.6%	12.6%	12.9%	13.9%	13.0%	13.7%	14.3%	14.7%	15.6%	16.9%	18.7%	20.7%	23.0%
EPS	0.27	0.31	0.39	0.37	1.34	0.34	0.35	0.38	0.36	1.44	0.34	0.34	0.35	0.37	1.39	1.42	1.48	1.52	1.64	1.82	2.06	2.36	2.71
Capex (\$mm)	543	539	468	631	2,181	360	412	369	550	1,691	450	500	575	675	2,200	2,350	2,480	2,575	2,650	2,700	2,800	2,900	2,900
FCF (\$mm)	(242)	572	635	580	1,545	302	659	160	311	1,432	359	333	271	201	1,165	1,023	939	912	886	961	1,035	1,170	1,454
BellSouth																							
Revenue (\$mm)	7,210	7,261	7,073	6,953	28,497	6,920	7,115	7,267	7,078	28,379	7,111	7,152	7,201	7,256	28,720	29,176	29,904	30,768	31,790	33,008	34,401	35,860	37,380
Growth % (y/y)	(0.1%)	(2.2%)	(5.3%)	(7.0%)	(3.7%)	(4.0%)	(2.0%)	2.7%	1.8%	(0.4%)	2.8%	0.5%	(0.9%)	2.5%	1.2%	1.6%	2.5%	2.9%	3.3%	3.8%	4.2%	4.2%	4.2%
EBITDA (\$mm)	3,214	3,208	3,097	2,969	12,488	3,019	3,007	3,062	2,966	12,053	2,965	2,983	3,010	3,047	12,005	12,342	12,799	13,323	13,956	14,688	15,480	16,388	17,157
EBITDA Margin	44.6%	44.2%	43.8%	42.7%	43.8%	43.6%	42.3%	42.1%	41.9%	42.5%	41.7%	41.7%	41.8%	42.0%	41.8%	42.3%	42.8%	43.3%	43.9%	44.5%	45.0%	45.7%	45.9%
Operating Income (\$mm)	1,873	1,856	1,745	1,631	7,105	1,786	1,758	1,801	1,732	7,077	1,706	1,707	1,701	1,674	6,788	6,826	6,968	7,131	7,297	7,280	7,284	7,367	7,311
Operating Margin	26.0%	25.6%	24.7%	23.5%	24.9%	25.8%	24.7%	24.8%	24.5%	24.9%	24.0%	23.9%	23.6%	23.1%	23.6%	23.4%	23.3%	23.2%	23.0%	22.1%	21.2%	20.5%	19.6%
EPS	\$0.55	\$0.52	\$0.51	\$0.45	\$2.03	\$0.51	\$0.52	\$0.53	\$0.49	\$2.05	\$0.49	\$0.50	\$0.50	\$0.50	\$1.99	\$2.09	\$2.15	\$2.20	\$2.26	\$2.25	\$2.25	\$2.28	\$2.26
Capex (\$mm)	1,005	1,023	835	922	3,785	631	729	764	900	3,024	650	725	800	900	3,075	3,600	4,000	4,350	4,700	5,000	5,250	5,500	5,500
FCF	703	749	1,130	419	3,001	906	1,401	1,281	750	4,338	1,156	1,111	1,075	1,032	4,374	4,301	4,361	4,496	4,742	5,209	5,775	6,412	7,211
DSL Subscribers (000s)	729	803	924	1,021	1,021	1,122	1,225	1,336	1,455	1,455	1,581	1,724	1,896	2,067	2,067	2,522	2,900	0	0	0	0	0	0
DSL Net Adds (000s)	109	74	121	187	401	101	103	111	119	434	127	142	172	171	612	455	378	0	0	0	0	0	0
Access Lines (000s)	25,425	25,138	24,894	24,603	24,602	24,511	24,150	23,904	23,955	23,965	23,932	23,902	23,917	23,901	23,901	23,720	23,594	23,435	23,297	23,203	23,103	22,994	22,910
Net Adds (000s)		(287)	(244)	(291)		(92)	(361)	(246)	51	(648)	(23)	(30)	15	(16)	(53)	(182)	(125)	(159)	(138)	(94)	(100)	(108)	(85)
Qwest Communications(1)																							
Revenue (\$mm)	4,369	4,319	4,179	3,704	15,487	3,629	3,601	3,570	3,607	14,407	3,612	3,616	3,595	3,639	14,462	14,720	15,151	15,696	16,318	17,031	17,785	18,565	19,381
Growth % (y/y)	(13.5%)	(17.3%)	(12.3%)	(20.4%)	(7.5%)	(16.9%)	(16.6%)	(14.6%)	(2.6%)	(7.0%)	(0.5%)	0.4%	0.7%	0.9%	0.4%	1.8%	2.9%	3.6%	4.0%	4.4%	4.4%	4.4%	4.4%
EBITDA (\$mm)	1,454	1,260	1,219	1,126	4,248	997	986	933	959	3,875	946	973	989	1,019	3,927	4,166	4,439	4,677	5,042	5,365	5,816	6,201	6,589
EBITDA Margin	33.3%	29.2%	29.2%	30.4%	27.4%	27.5%	27.4%	26.1%	26.6%	26.9%	26.2%	26.9%	27.5%	28.0%	27.2%	28.3%	29.3%	29.8%	30.9%	31.5%	32.7%	33.4%	34.0%
Operating Income (\$mm)	314	100	63	316	(18,176)	199	184	(623)	245	104	232	258	269	292	1,050	1,119	1,145	1,126	1,228	1,283	1,456	1,554	1,656
Operating Margin	7.2%	2.3%	1.5%	8.5%	(117.4%)	5.5%	5.1%	(14.7%)	6.8%	0.7%	6.4%	7.1%	7.5%	8.0%	7.3%	7.6%	7.6%	7.2%	7.5%	7.5%	8.2%	8.4%	8.5%
EPS	(0.10)	(0.13)	(0.15)	(0.02)	(21.35)	(0.08)	(0.09)	(0.13)	(0.06)	(0.36)	(0.06)	(0.04)	(0.04)	(0.02)	(0.16)	(0.12)	(0.05)	0.09	0.13	0.14	0.32	0.35	0.37
Capex (\$mm)	1,196	618	504	548	2,866	450	490	540	750	2,230	550	590	550	600	2,290	2,500	2,700	2,800	2,850	2,900	3,000	3,100	3,100
FCF	(469)	320	(380)	140	(389)	112	112	(899)	(103)	(777)	67	52	90	121	330	394	599	1,032	1,325	1,596	2,111	2,365	2,724
DSL Subscribers (000s)	484	508	525	535	535	551	560	592	622	622	643	667	688	712	712	787	859	0	0	0	0	0	0
DSL Net Adds (000s)	36	24	17	10	87	16	9	32	30	87	22	23	21	24	91	75	72	0	0	0	0	0	0
Access Lines (000s)	17,604	17,353	17,196	17,006	17,006	16,885	16,504	16,354	16,138	16,138	15,729	15,498	15,885	15,831	15,831	15,897	16,171	16,569	17,101	17,673	18,279	18,774	19,122
Net Adds (000s)		(251)	(157)	(190)		(121)	(381)	(150)	(216)	(868)	(409)	(231)	386	(54)	(307)	67	273	398	532	572	605	495	348
SBC Communications																							
Revenue (\$mm)	10,522	10,843	10,556	11,217	43,138	10,333	10,204	10,239	10,141	40,917	10,005	9,932	10,062	10,084	40,082	40,667	41,637	42,806	44,125	45,665	47,416	49,373	51,419
Growth % (y/y)	(6.0%)	(5.5%)	(6.9%)	(5.8%)	(6.0%)	(1.8%)	(5.9%)	(3.0%)	(9.6%)	(3.1%)	(3.2%)	(2.7%)	(1.7%)	(0.6%)	(2.0%)	1.5%	2.4%	2.8%	3.1%	3.5%	3.8%	4.1%	4.1%
EBITDA (\$mm)	4,318	4,320	4,177	4,385	17,200	3,894	3,726	3,562	3,468	14,650	3,402	3,357	3,391	3,418	13,568	14,071	14,573	15,282	16,238	16,988	17,829	18,762	19,642
EBITDA Margin	41.0%	39.8%	39.6%																				

Coverage Summary		Wireline Services						Wireless Services		
Ticker		BLS	VZ	FON	SBC	Q	T	AWE	NXTL	PCS
Rating		Neutral	Neutral	Neutral	Neutral	Neutral	UN	OP	OP	Neutral
Price Target		27.50	37.00	14.00	24.00	4.80	16.00	11.50	33.00	7.00
Price (1/20/2004)		29.68	37.19	18.60	27.00	4.31	21.65	10.39	26.99	8.04
Common Shrs (MM)		1,851	2,789	902	3,331	1,747	791	2,718	1,051	1,025
Gross Options Out.		45	-	-	85	28	-	40	10	8
Fully Diluted Shares (MM)		1,896	2,789	902	3,416	1,775	791	2,758	1,061	1,033
Mkt Cap (\$ MM)		56,277	103,715	16,777	92,223	7,650	17,125	28,657	28,626	8,307
Balance Sheet Data as of:		Sep-03	Sep-03	Sep-03	Sep-03	Sep-03	Sep-03	Sep-03	Sep-03	Sep-03
Cash & ST Inv (MM)		5,025	746	1,145	4,940	6,089	6,751	4,337	3,563	1,456
LT Debt ¹ (MM)		11,646	37,961	2,789	16,357	20,242	12,759	10,607	10,801	15,961
Other LT Liabilities (MM)		10,162	42,073	3,225	31,340	5,566	13,000	5,288	1,864	944
Interest Coverage Ratio		6.55	4.02	9.23	8.96	1.41	3.63	2.03	3.87	0.30
EBIT/Interest Payments		48.8	59.7	34.7	79.9	-	37.0	-	-	-
Dividend Payout Ratio DPS/EPS		-	-	-	-	-	-	7.835	96	526
Preferred Stock (MM)		-	-	-	-	-	-	-	-	-
Enterprise Value ³		73,060	183,003	21,646	134,980	27,369	36,133	48,050	37,824	24,282
EV Revenue Multiples										
	2002A	2.6	2.7	1.4	3.1	1.8	1.0	3.1	4.3	1.9
	2003E	2.6	2.7	1.5	2.7	1.9	1.0	2.9	3.5	1.9
	2004E	2.5	2.6	1.6	2.7	1.9	1.1	2.7	3.0	1.8
	2005E	2.5	2.6	1.6	2.6	1.9	1.1	2.6	2.6	1.7
Price/Sales										
	2002A	2.0	1.6	1.1	2.1	0.5	0.5	1.8	3.3	0.7
	2003E	2.0	1.5	1.2	1.8	0.5	0.5	1.7	2.6	0.7
	2004E	2.0	1.5	1.2	1.9	0.5	0.5	1.6	2.2	0.6
	2005E	1.9	1.5	1.2	1.8	0.5	0.5	1.6	2.0	0.6
2003E EV Revenue multiple/LTG		111.9	108.4	306.8	NM	NM	(94.7)	64.3	35.3	45.3
EV EBITDA Multiples										
	2002A	5.9	6.3	4.8	7.8	6.4	3.4	12.6	11.9	8.4
	2003E	6.1	6.7	4.9	7.8	7.1	4.1	10.5	9.0	7.1
	2004E	6.1	6.8	5.0	8.3	7.0	4.8	10.4	7.7	6.6
	2005E	5.9	6.4	4.8	8.0	6.6	4.9	9.9	6.6	6.1
2003E EV EBITDA multiple/LTG		202.1	224.5	234.3	NM	NM	NM	177.6	73.5	106.2
P/E Multiples										
	2002A	14.6	12.2	13.9	12.1	NM	16.8	NM	15.2	NM
	2003E	14.5	14.4	12.9	17.2	NM	9.4	57.7	22.9	NM
	2004E	14.9	15.8	13.4	19.9	NM	14.1	52.0	14.8	NM
	2005E	14.2	14.7	13.1	18.9	NM	16.8	41.6	11.8	NM
Indicated Dividend		1.00	1.54	0.50	1.25	-	0.85	-	-	-
Dividend Yield		3.4%	4.1%	2.7%	4.6%	0.0%	3.9%	0.0%	0.0%	0.0%
PE/LTG		274.8	280.4	244.3	-797.8	NM	-102.6	NM	NM	NM
Asset Multiples										
	LQA Rev.	2.5	2.7	1.5	3.3	1.9	1.0	2.7	3.3	1.8
	Net PP&E Multiple	3.1	2.4	1.3	2.6	1.5	1.5	3.0	4.3	2.2
	Price/Book	2.9	1.8	1.3	2.4	NM	1.26	1.38	5.69	11.59
	L-T Debt/Total Cap	37.2%	39.1%	17.5%	30.2%	103.2%	48.5%	33.9%	68.2%	95.7%
	LT Debt+Other LT Liab./Total Cap	52.6%	57.5%	31.5%	55.7%	102.5%	65.5%	43.4%	71.6%	95.9%
	Financial Strength	5.8	2.6	3.3	4.5	4.6	4.8	2.7	4.1	2.1
FY Revenue (\$MM)										
	2002A	28,497	66,681	15,194	43,138	15,487	37,827	15,631	8,721	12,771
	2003E	28,379	67,555	14,110	50,029	14,407	34,681	16,801	10,833	12,749
	2004E	28,720	69,162	13,883	49,825	14,462	32,823	17,598	12,749	13,661
	2005E	29,176	71,158	13,865	50,953	14,720	31,813	18,358	14,296	14,209
LTG est.		2%	3%	1%	0%	-1%	-1%	4%	10%	4%
EBITDA (\$MM)										
	2002A	12,488	29,124	4,517	17,201	4,248	10,686	3,822	3,166	2,880
	2003E	12,053	27,170	4,399	17,352	3,875	8,748	4,555	4,185	3,412
	2003E EBITDA margin	42.5%	40.2%	31.2%	34.7%	26.9%	25.2%	27.1%	38.6%	26.8%
	2004E	12,005	27,002	4,366	16,216	3,927	7,586	4,604	4,902	3,688
	2004E EBITDA margin	41.8%	39.0%	31.4%	32.5%	27.2%	23.1%	26.2%	38.5%	27.0%
	2005E	12,342	28,463	4,472	16,964	4,166	7,430	4,852	5,743	3,969
	2005E EBITDA margin	42.3%	40.0%	32.3%	33.3%	28.3%	23.4%	26.4%	40.2%	27.9%
LTG est.		3.0%	3.0%	2.1%	-2.3%	-1.6%	-2.6%	5.9%	12.3%	6.7%
EPS										
	2002A	2.03	3.05	1.34	2.23	(0.40)	1.29	(0.82)	1.77	(0.64)
	2003E	2.05	2.58	1.44	1.57	(0.36)	2.30	0.18	1.18	(0.43)
	2004E	1.99	2.35	1.39	1.36	(0.16)	1.54	0.20	1.82	(0.18)
	2005E	2.09	2.53	1.42	1.43	(0.12)	1.29	0.25	2.29	0.03
LTG est.		2%	1%	3%	-7%	NM	-13%	10%	15%	NM
Asset Values (\$MM)										
	LQA Rev.	29,068	68,620	14,152	40,956	14,280	34,596	17,496	11,548	13,360
	Net PP&E	23,765	75,098	16,159	51,983	18,363	24,719	16,069	8,802	11,276
	Shareholders' Equity	19,672	59,104	13,103	37,892	(634)	13,539	20,714	5,031	717
	2002 Capex	3,785	11,984	2,181	6,808	2,866	3,904	4,884	1,856	2,668
	2003E Capex	3,024	11,642	1,691	4,935	2,230	3,657	3,063	1,650	2,091
	2004E Capex	3,075	12,400	2,200	4,800	2,290	3,670	3,250	1,900	2,230
	2005E Capex	3,600	12,800	2,350	5,300	2,500	3,887	3,500	2,200	2,400

Note 1: Includes capital leases

Note 2: SBC multiples include Cingular portion

Note 3: Enterprise value includes LT debt and other LT liabilities.

Source: SoundView Technology Group, FactSet Research Systems, Inc. and Company reports.

AT&T Group
Income Statement
(millions, except EPS)

	A 2002	A 1ST	A 2ND	A 3RD	EST 4TH	EST 2003	EST 1ST	EST 2ND	EST 3RD	EST 4TH	EST 2004	EST 2005
REVENUE												
AT&T Business	26,558	6,437	6,406	6,282	5,830	24,955	6,083	6,073	6,031	5,714	23,900	23,422
AT&T Consumer	11,527	2,536	2,376	2,353	2,408	9,673	2,257	2,186	2,188	2,239	8,870	8,338
AT&T Broadband	-	-	-	-	-	-	-	-	-	-	-	-
Corporate and Other	(258)	13	13	14	13	53	13	13	13	13	52	52
TOTAL REVENUES:	37,827	8,986	8,795	8,649	8,251	34,681	8,353	8,272	8,232	7,966	32,823	31,813
% Y/Y Chg	-10.4%	-5.9%	-8.2%	-8.1%	-11.2%	-8.3%	-7.0%	-5.9%	-4.8%	-3.5%	-5.4%	-3.1%
OPERATING EXPENSES												
Cost of sales	8,363	2,011	1,958	1,954	1,893	7,816	2,014	1,938	1,905	1,836	7,694	7,463
Access and Other Connection	10,790	2,698	2,708	2,785	2,609	10,800	2,617	2,667	2,757	2,688	10,729	10,515
SG&A	7,988	1,921	1,837	1,793	1,765	7,316	1,787	1,727	1,685	1,615	6,814	6,405
Depreciation & Other Amortization	4,888	1,186	1,197	1,224	1,233	4,840	1,220	1,208	1,236	1,245	4,908	5,004
Amort. Of GW, Franchise Cost & Other Purchased Intangibles	-	-	-	-	-	-	-	-	-	-	-	-
Net Restructuring and Other Charges	1,437	4	66	64	-	134	-	-	-	-	-	-
TOTAL OPERATING EXPENSES:	33,466	7,820	7,766	7,820	7,501	30,907	7,637	7,540	7,584	7,384	30,146	29,387
OPERATING INCOME	4,361	1,166	1,029	829	750	3,774	716	731	648	582	2,677	2,426
EBITDA	10,686	2,356	2,292	2,117	1,983	8,748	1,935	1,939	1,884	1,827	7,586	7,430
% Y/Y Chg	-13.8%	-16.1%	-18.3%	-19.6%	-18.7%	-18.1%	-17.9%	-15.4%	-11.0%	-7.9%	-13.3%	-2.1%
GROSS MARGIN	77.9%	77.6%	77.7%	77.4%	77.1%	77.5%	75.9%	76.6%	76.9%	76.9%	76.6%	76.5%
OPERATING MARGIN	11.5%	13.0%	11.7%	9.6%	9.1%	10.9%	8.6%	8.8%	7.9%	7.3%	8.2%	7.6%
EBITDA MARGIN	28.2%	26.2%	26.1%	24.5%	24.0%	25.2%	23.2%	23.4%	22.9%	22.9%	23.1%	23.4%
OTHER INCOME (EXPENSE)												
Other	(77)	10	86	(7)	21	110	8	9	(5)	16	26	21
Interest expense	(1,448)	(332)	(296)	(289)	(289)	(1,206)	(212)	(188)	(165)	(141)	(706)	(753)
PRETAX INCOME:	2,836	844	819	533	482	2,678	512	552	478	456	1,998	1,694
(PROVISION) FOR INCOME TAXES:	(1,587)	(297)	(308)	(72)	(188)	(865)	(200)	(215)	(187)	(178)	(779)	(661)
Tax Rate	56.0%	35.2%	37.6%	13.5%	39.0%	32.3%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
MINORITY INTEREST (EXPENSE) INCOME	114	1	-	-	-	1	-	-	-	-	-	-
NET (LOSSES) EARNINGS FROM EQUITY INVEST	(400)	(19)	25	(3)	-	3	-	-	-	-	-	-
(Loss) Income From Continuing Operations Before Cumulative Effect of Accounting Change	963	529	536	458	294	1,817	312	337	292	278	1,219	1,034
Income from Discontinued Operations - net of tax	-	-	-	-	-	-	-	-	-	-	-	-
(Loss) from discontinued operations - net of taxes	(14,513)	-	-	(13)	-	-	-	-	-	-	-	-
Gain on Disposition of Discontinued Operations - net of tax	1,324	-	-	-	-	-	-	-	-	-	-	-
(Loss) Income Before Cumulative Effect of Accounting Change	(12,226)	529	536	445	294	1,804	312	337	292	278	1,219	1,034
Cumulative effect of accounting change - net of tax	(856)	42	-	(27)	-	15	-	-	-	-	-	-
Premium on Wireless Exchange Offer	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Requirements of Preferred Stock	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary gain - net of tax	-	-	-	-	-	-	-	-	-	-	-	-
(Loss) Earnings Available to Common Shareholders	(13,082)	571	536	418	294	1,819	312	337	292	278	1,219	1,034
EPS RECONCILIATION												
EXCLUDE:												
OTHER INCOME (EXPENSE)	-	-	-	-	-	-	-	-	-	-	-	-
STATUTORY TAX RATE	-	-	-	-	-	0.0%	-	-	-	-	0.0%	-
TAX BENEFIT (INCREASE)	-	-	-	-	-	-	-	-	-	-	-	-
EXTRAORDINARY GAIN - NET OF TAX	-	-	-	-	-	-	-	-	-	-	-	-
CUM'L EFFECT OF ACCTG CHANGES NET OF TAX	-	-	-	-	-	-	-	-	-	-	-	-
NET (LOSSES) RELATED TO EQUITY INVESTMENTS	-	-	-	-	-	-	-	-	-	-	-	-
GAIN ON DISP. OF DISC. OPS - NET OF TAX	-	-	-	-	-	-	-	-	-	-	-	-
PREMIUM ON WIRELESS EXCHANGE OFFER	-	-	-	-	-	-	-	-	-	-	-	-
GOODWILL AND FRANCHISE IMPAIRMENT CHARGES	-	-	-	-	-	-	-	-	-	-	-	-
EARNINGS (LOSS) FROM CONTINUING OPS	(13,082)	571	536	418	294	1,819	312	337	292	278	1,219	1,034
EXCLUDING OTHER (EXPENSE) INCOME												
Weighted-average common shares outst.	746.2	784	787	787	787	786.3	787	787	788	788	787.3	796.8
Weighted-average common & potential common shares outst.	766.0	785	787	791	791	788.6	789	789	790	790	789.6	799.1
EPS (loss) excl. other (expense) income	(17.53)	0.73	0.68	0.53	0.37	2.31	0.40	0.43	0.37	0.35	1.55	1.29
% Y/Y Chg	-239.6%	-153.0%	-103.9%	97.5%	-43.8%	-113.2%	-45.5%	-37.2%	-30.2%	-5.4%	-33.1%	-16.4%
EPS (loss) from continuing operations	1.29	0.67	0.68	0.58	0.37	2.30	0.40	0.43	0.37	0.35	1.54	1.29
% Y/Y Chg	-242.3%	11.5%	-15.3%	-13.1%	-147.2%	78.5%	-41.3%	-37.4%	-36.2%	-5.2%	-33.0%	-16.2%
DIVIDENDS / SHARE	0.75	0.188	0.188	0.238	0.238	0.85	0.238	0.238	0.238	0.238	0.95	0.95
EMPLOYEES	71,000	69,580	68,188	66,825	65,000	65,000	65,325	65,652	65,980	66,310	65,033	65,065

AT&T GROUP INCOME STATEMENT REFLECTS THE FOLLOWING:

- AT&T Group excludes the results of Liberty Media Group (LMG)

- AT&T Wireless is reported in AT&T Group 2001 results through the period ended June 30, 2001 as a discontinued operation. The split-off of AT&T Wireless as a separate independent company occurred on July 9, 2001.

- AT&T Group revenues have been normalized to reflect the deconsolidation of Excite@Home (originally consolidated 1/1/01 to 9/28/01, the date Excite@Home filed for bankruptcy) as if it happened on January 1, 2001.

Source: SoundView Technology Estimates, Company Reports

AT&T Corp. Balance Sheet (millions)												
	A 2002	A 1ST	A 2ND	A 3RD	EST 4TH	EST 2003	EST 1ST	EST 2ND	EST 3RD	EST 4TH	EST 2004	EST 2005
ASSETS												
Cash & Equivalents	8,014	4,900	5,256	6,751	6,016	6,016	6,773	7,277	7,366	7,672	7,672	9,139
Accounts Receivable, less allowances	5,286	5,028	4,771	4,525	4,317	4,317	4,370	4,328	4,307	4,168	4,168	4,039
Other receivable	173	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income taxes	910	779	779	617	617	617	617	617	617	617	617	617
Other current assets	1,520	1,150	1,026	1,109	1,058	1,058	1,071	1,061	1,056	1,021	1,021	990
TOTAL CURRENT ASSETS	15,903	11,857	11,832	13,002	12,008	12,008	12,831	13,282	13,345	13,478	13,478	14,785
Gross PP&E	56,625	57,342	57,848	58,408	59,229	59,229	59,931	60,764	62,025	62,898	62,898	66,785
Depreciation	(31,021)	(32,096)	(33,017)	(33,689)	(34,922)	(34,922)	(36,142)	(37,350)	(38,586)	(39,830)	(39,830)	(44,739)
Net PP&E	25,604	25,246	24,831	24,719	24,307	24,307	23,789	23,414	23,440	23,068	23,068	22,046
Franchise costs, net of accumulated Amortization	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill, net of accumulated Amortization	4,626	4,660	4,727	4,691	4,691	4,691	4,691	4,691	4,691	4,691	4,691	4,691
Investments and related advances	0	542	530	508	508	508	508	508	508	508	508	508
Prepaid pension costs	3,596	3,655	3,723	3,791	3,791	3,791	3,791	3,791	3,791	3,791	3,791	3,791
Other assets	5,543	4,463	4,741	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596
Net assets of discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	55,272	50,423	50,384	51,307	49,901	49,901	50,206	50,282	50,371	50,131	50,131	50,418
LIABILITIES & SHAREHOLDERS' EQUITY												
Current Liabilities	12,024	11,717	11,073	12,009	11,456	11,456	11,598	11,485	11,430	11,061	11,061	10,720
LT Debt	18,812	13,786	13,563	12,759	11,759	11,759	11,759	11,759	11,759	11,759	11,759	11,759
Other LT Liabilities	12,124	12,222	12,465	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-
Company-Obligated Convert. Preferred Securities	-	-	-	-	-	-	-	-	-	-	-	-
Convertible Preferred Stock	-	-	-	-	-	-	-	-	-	-	-	-
SHAREHOLDERS' EQUITY												
AT&T Common Stock	783	786	788	789	789	789	789	789	789	789	789	789
AT&T Wireless Common Stock	0	0	0	0	0	0	0	0	0	0	0	0
Additional Paid-in Capital	25,464	28,079	27,980	27,855	27,855	27,855	27,855	27,855	27,855	27,855	27,855	27,855
Retained Earnings	(13,867)	(15,995)	(15,459)	(15,044)	(14,898)	(14,898)	(14,734)	(14,545)	(14,401)	(14,271)	(14,271)	(12,460)
Accumulated other comprehensive income	(68)	(172)	(26)	(61)	(61)	(61)	(61)	(61)	(61)	(61)	(61)	(61)
TOTAL SHAREHOLDERS' EQUITY	12,312	12,698	13,283	13,539	13,685	13,685	13,849	14,038	14,182	14,312	14,312	16,123
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	55,272	50,423	50,384	51,307	49,901	49,901	50,206	50,282	50,371	50,131	50,131	51,602
TOTAL OPERATING CAPITAL = WORKING CAPITAL + NET PPE	20,808	19,886	19,763	18,400	18,431	18,431	17,891	17,505	17,359	17,382	17,382	16,866
	-	-	-	-	-	-	-	-	-	-	-	(1,184)
Total debt	18,812	13,786	13,563	12,759	11,759	11,759	11,759	11,759	11,759	11,759	11,759	11,759
Net debt	10,798	8,886	8,307	6,008	5,743	5,743	4,986	4,482	4,393	4,087	4,087	2,620
Total Debt to Total Capitalization	60.4%	52.1%	50.5%	48.5%	46.2%	46.2%	45.9%	45.6%	45.3%	45.1%	45.1%	42.2%
Return on Equity	-106.3%	18.0%	16.1%	12.3%	8.6%	13.3%	9.0%	9.6%	8.2%	7.8%	8.5%	6.4%
Asset turnover	0.34	0.71	0.70	0.67	0.66	0.66	0.67	0.66	0.65	0.64	0.66	0.63

AT&T Corp. Statement of Cash Flow (in millions)												
	EST 2002	A 1ST	A 2ND	A 3RD	EST 4TH	EST 2003	EST 1ST	EST 2ND	EST 3RD	EST 4TH	EST 2004	EST 2005
OPERATIONS												
Net Income	(14,209)	571	536	418	294	1,819	312	337	292	278	1,219	1,219
Depreciation	4,888	1,186	1,197	1,224	1,233	4,840	1,220	1,208	1,236	1,245	4,908	4,908
Other	10,340	459	404	1,099	(293)	1,669	75	(60)	(29)	(196)	(210)	(181)
OPERATING CASH FLOW	3,550	2,216	2,137	2,760	1,234	8,328	1,607	1,485	1,499	1,327	5,917	5,946
INVESTING												
Capital Expenditures	(4,159)	(859)	(770)	(784)	(821)	(3,234)	(702)	(833)	(1,261)	(873)	(3,670)	(3,887)
Pct. Revenue	11.0%	9.6%	8.8%	9.1%	9.9%	9.3%	8.4%	10.1%	15.3%	11.0%	11.2%	12.2%
Investments	74	(75)	(39)	188	74	74	-	-	-	-	-	-
Other	125	11	12	(73)	(50)	(50)	-	-	-	-	-	-
CASH FROM INVESTMENTS	(3,960)	(923)	(797)	(669)	(821)	(3,210)	(702)	(833)	(1,261)	(873)	(3,670)	(3,887)
FINANCING												
Net Debt	(6,116)	(4,330)	(979)	(530)	(1,000)	(6,839)	-	-	-	-	-	-
Net Stocks Issued	2,640	35	29	28	-	92	-	-	-	-	-	-
Dividends	(448)	(147)	(147)	(148)	(148)	(590)	(148)	(148)	(148)	(148)	(592)	(592)
Other	817	35	113	54	-	202	-	-	-	-	-	-
CASH FLOW FROM FINANCING	(3,107)	(4,407)	(984)	(596)	(1,148)	(7,135)	(148)	(148)	(148)	(148)	(592)	(592)
OTHER ADJUSTMENTS	-	-	-	-	-	-	-	-	-	-	-	-
NET INC.(DEC.) IN CASH:	(3,517)	(3,114)	356	1,495	(735)	(2,017)	757	503	89	306	1,655	1,468

Source: SoundView Technology Estimates, Company Reports